

Can a Recession Be Beneficial?

A big-time national recession is underway. Everywhere we turn we are confronted with financial meltdown, corporate liquidations, and evaporating wealth. But is there a silver lining in all this?

Capitalism is an economic system that is fundamentally built upon self-advancement. Some might want to call it greed, but self-advancement does not have to be greed. Admittedly though, there is only a short leap between self-advancement and greed, and the tipping point can be precarious.

Capitalism has actually been a historically successful system because it works with humankind's fundamental nature—self-advancement—not against it. It rewards self-advancement (in the form of profits, income gains, etc.). Socialist economies have generally fizzled out because they work against humankind's self-advancement nature.

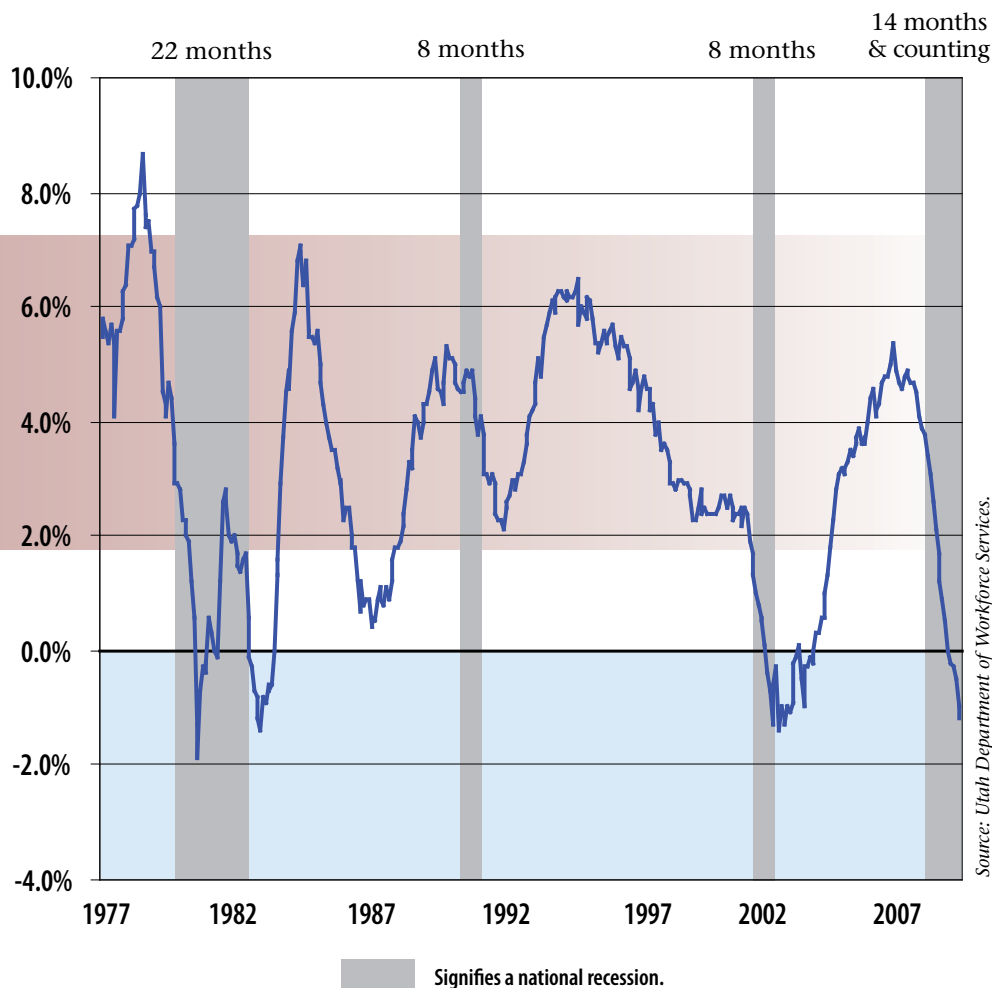
Those systems try to promote group-advancement. Though noble on paper, that psychology resists humankind's nature. Capitalism has survived because self-advancement is humankind's

basic nature, and, when channeled properly, it can default into group-advancement.

Yet capitalism isn't perfect, and neither is the channeling process. Self-advancement, when left unchecked over time, can build to excess and overindulgence (that short leap to greed).

An economic meltdown like our current one then becomes inevitable, and the financial system burns to the ground. Unchecked capitalism seems to need these occasional burns to purge itself

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The final movement from self-advancement to greed made its leap during the 1990s.



of the long-term trend toward excesses that inevitably build.

Yet just like the mighty forests of Yellowstone National Park—where burning is periodically necessary to clear out the old life and spawn new growth, thus laying the foundation for the forest's survival—capitalism also seems to need periodic cleansing. Excesses need to be purged, with humility, sanity, and a respect for risk re-injected into the system. If the burn is powerful enough, the lessons learned can be a tempering force that steers capitalism for years to come.

A generation that lived through a burn will carry and adhere to the learned lessons for the remainder of their days. It's the newer generations, which haven't lived through a large burn, that become destined to again succumb to greed, and they, in turn, will need their own experience to teach deference toward capitalism's snares and boundaries.

Capitalism should survive the current crisis. The excesses of the past 80 years are being swept away, and from it, the seeds for the next 80 years of capitalistic success are being laid.

I believe that the lens of history will ultimately tie the current recession and the dot com downturn of earlier this decade into a single, larger economic event, a combination that will again cleanse capitalism. The unifying factor will be the disrespect for risk leading to the excessive emergence of greed, and its ultimate need to be disciplined.

The results were not immediate, but once they emerged, they flared rapidly. The dot com downturn of the early 2000s was not enough to squelch the avarice. It only diverted it toward another sector of the economy—housing. Where before the greed mentality was largely limited to Wall Street, after the dot com recession it made its shift onto Main Street, manifested through our current housing crisis. When the correction that has now come shifted from some of us (dot com downturn) to all of us (the current downturn), the burn finally blossomed into a fire that should ultimately cleanse the system.

For many the pain may be personal. But for the good of all, individual self-advancement is currently being sacrificed for the sake of group-advancement, so

that ultimately self-advancement may live on. What an ironic system.

There are also short-term gains to hope for in this process. America's automobile manufacturers catered to the greed era instead of creating more frugal and energy-efficient automobiles, which the Japanese and others promoted. Fuel inefficient SUV's and trucks ruled the day in Detroit. Some forewarned of this risky strategy, but the advice was largely ignored. The depth of this recession and the recent oil price run-up should be enough to finally get Detroit's attention, thus motivating it to switch to a better long-term strategy. This is so important because Detroit has such an influence upon significant sections of the United States economy.

Another gain comes on the geopolitical side. The recession has burst the oil price bubble. Several foreign countries—which generally live upon petro dollars but have a hostile political posture against the western world—are being humbled by this recession and oil's current price fall. This is probably only a temporary reprieve, but their temperance can be enjoyed while the recession lasts. ①